FirstHome

A step-by-step guide for first-time homebuyers

SAGEN™

A Better Way To Homeownership

As Canada's largest private residential mortgage insurer, Sagen has helped shape our country's strong and dynamic housing market. By providing mortgage default insurance to residential mortgage lenders, we make homeownership more accessible to first-time homebuyers like yourself. As a company, we're committed to increasing financial literacy, while helping Canadians achieve the dream of homeownership sooner — and responsibly. We want to help first-time homebuyers purchase homes they can comfortably afford today, and over the lifetime of their mortgage. That's what sustainability is about, and it's simply a better way to homeownership.

Sagen resources such as this guide are designed to help homebuyers make financially sound choices.

Check out our online resources at sagen.ca for more!

Are you eager to begin your journey to homeownership? Let's get started!

Contents

Rent vs. Buy

How to tell if homeownership is right for you

To buy or not to buy. It's a question many people struggle with. And, it's important to know if you truly want to own a home before you're firmly entrenched in the homebuying process. Wondering if homeownership is right for you? Here are some things to consider about renting versus buying.

RENTING PROS

It costs less

When budgeting for homeownership, you'll have to factor in more than your monthly mortgage payments. Consider condo maintenance fees and repair expenses, too. Tenants don't have to sweat those costs: they're the owner's responsibility.

Your money is more accessible

Homeowners have the satisfaction of knowing their property is likely to increase in value over time, but for the short-term, their major asset is on lockdown. If you need to sell your home during the first few years of homeownership, you could lose money given the various costs involved, such as REALTOR® fees and possible fees for breaking a mortgage.

HOMEOWNERSHIP PROS

It's a sound investment

If you choose a home you can afford, the payoff can be great. When you make a mortgage payment each month, you build equity in a place of your own (unlike a rent payment). Equity is the difference between the value of the home and your outstanding mortgage. Assuming that your home continues to increase in value, then the longer you stay in your home (and the more payments you make), the more equity you'll have.

It's a first step

As you build up equity in your current home and comfort level in being a homeowner, it may be easier to move up to another home in the future.

It provides satisfaction and security

As a homeowner, you can decorate and renovate your home any way you like. You don't have that luxury as a renter. Owning a home also gives you the pride of ownership. Your family may also feel stronger ties to your community.

Ultimately, the decision to rent or buy is a personal one. Do what's right for you, at the time that's right for you. If you choose a home you can afford, the payoff can be great.

Are you Ready for Homeownership?

Take this simple quiz to find out if you're ready to start your FirstHome journey

Read each question and answer it honestly. Then read the tip below it to get you on track for homeownership.

1. **Are you familiar with the real estate market in your preferred neighbourhood?**

Yes No

TIP: Start perusing online well before your house hunt. You don't want any surprises when meeting a real estate agent and finding out homes in your preferred community are way out of your price range.

2. **Do you know how much you can afford to spend on your first home?**

Yes No

TIP: Determine how much you can afford. Estimate your mortgage using by factoring in items such as you income, debt, utilities and other mortgage related expenses and monthly payment amounts.

3. **Have you saved enough for at least a 5% down payment towards your first home?**

Yes No

TIP: Conventional mortgages require a down payment of 20% of the purchase price. With Sagen mortgage insurance products, you can buy with as little as 5% down.

4. **Do you have a regular income source, whether you are salaried or self-employed?**

Yes No

TIP: Sagen's Business For Self Program is geared at self-employed borrowers. If you've got a two year history of managing your credit and finances responsibly, you can qualify without traditional income verification.

5. **Do you have a credit history?**

Yes No

TIP: Lenders look at credit history to determine if someone is a reliable borrower. If you don't have a credit card, establish good credit by acquiring a credit card. Use it for small purchases and pay off the full balance each month.

6. **Do you have a healthy credit score?**

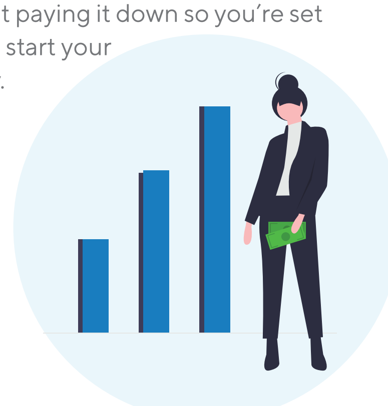
Yes No

TIP: Poor credit makes it harder to get mortgage approval. Always meet your monthly minimum payments on time, but don't stop there. Be aggressive about clearing your credit card debt, or at least bringing each credit card balance to under 35% of its credit limit. If you're recovering from bankruptcy, apply for a secured card to help re-establish a pattern of responsible borrowing.

7. **Have you got a handle on your consumer debt?**

Yes No

TIP: A high debt load could hinder your ability to meet your financial obligations. Your monthly debt repayments (housing, car, credit cards, lines of credit, etc.) should not exceed 40% of your household's gross monthly income. If you're carrying more than that, be aggressive about paying it down so you're set up for success when you start your homeownership journey.



Affordability

What first-time homeowners need to know about responsible homeownership

Affordability. It's a word that gets tossed around a lot when people talk about homeownership, but what does it really mean?

Affordability is a term that's both quantifiable (lending institutions use a formula) and a little bit subjective (lifestyle considerations factor in, too). Here's what you need to know about affordability, and what it means for you.

Debt service ratios

For lending institutions and mortgage insurers, affordability is assessed by your gross debt service ratio and total debt service ratio.

Gross Debt Service Ratio (GDSR) Homeownership costs (mortgage payments, property taxes, heating and, if applicable, 50% of condo fees), relative to household income.

Total debt service (TDS) ratio Homeownership costs (as outlined above) plus debt payments (credit cards, lines of credit, student loans, car loans, etc.), relative to household income.

To qualify for mortgage insurance (mandatory for any home purchase with a down payment of less than 20% of the cost of the home), the highest allowable GDS ratio is 39% and the highest allowable TDS ratio is 44%.

Lifestyle expenses

Key household costs should also be considered. While they don't affect debt service ratios, these expenditures should be included in your own budget calculations, as they add up to a large chunk of income:

- Groceries
- Child care
- Mobile phone
- Internet
- Clothing
- Entertainment
- Memberships
- Kids' extracurricular activities

Household expenses change over time. Are there any areas where you could cut back? Or will some expenses disappear, such as when a car is paid off, or when a child leaves daycare for full-time school?

Set a budget you can afford

Between the numbers-driven debt service ratios used by banks, trust companies and mortgage insurers and the discretionary lifestyle expenses that also affect your bottom line, you'll find what affordability means for you.

NEXT STEPS

Speak with a mortgage professional or financial planner to determine how much mortgage you can comfortably carry. This will help you assess your financial fitness and also help you set realistic goals on an achievable timeline.

Budgeting

Saving for a down payment

Your home may well be the biggest purchase you'll ever make. Most Canadians take on a mortgage so they can stretch payment out over many years. The good news is you won't have to save the full $538,831 (the national average home price in June 2020), according to the Canadian Real Estate Association to get into your first home. You'll have to save, a minimum of, 5 per cent of that, in this example $26,942. And don't forget to add closing costs.

Here are a variety of ways to grow your nest egg:

- ✓ Work hard; rack up accomplishments; ask for a raise.
- ✓ Earn a second income with a side gig or freelance work.
- ✓ Save cash gifts from relatives.
- ✓ Start a budget. Use budgeting apps to stay on-track with your financial goals.
- ✓ Save on gas and parking by walking, cycling or taking public transit.
- ✓ Put your gym membership on hold and exercise outdoors during warmer months. Cut your cable or satellite TV.
- ✓ Negotiate discounts with your insurance providers.
- ✓ Ask your mobile provider for a better deal. Ditch that landline.
- ✓ Look into less expensive ways to communicate such as free online services or cell phone plans with lower costs.
- ✓ Pack your lunch.
- ✓ Save daily by making your own coffee to go or drink coffee provided at the office.
- ✓ Eat at home more often.
- ✓ Buy groceries using a shopping list. Never shop when you're hungry.
- ✓ Buy (and save big) in bulk (divide bulk purchases with friends).
- ✓ Save money in your RRSP. (You'll be eligible to withdraw up to $35,000 from your RRSP to buy or build your first home, under the federal government's Home Buyer's Plan).
- ✓ Get a roommate.
- ✓ Downsize to a smaller rental. Move in with your parents.
- ✓ Rent in a cheaper part of town (if it won't boost transportation costs).
- ✓ Nix that storage unit rental. Sell the contents.
- ✓ Join a trading group so you can swap, not shop, for a variety of items.
- ✓ Unclutter your home and sell items for fast cash.
- ✓ Pay yourself first: Set up biweekly automatic transfers from your checking account to your savings account.
- ✓ Eliminate your credit card debt. Stop paying interest on a balance!
- ✓ Catch up with friends over a walk, not cocktails.
- ✓ Don't buy books or e-books. The library lends both.
- ✓ Say no to luxury vacations and yes to staycations (at least for now).

Mortgages 101

Mortgage basics for first-time homeowners

Mortgage pre-approval

Getting ready to buy? Don't start your house hunt without mortgage pre-approval.

Pre-approval allows you to move fast and put in an offer — crucial in competitive housing markets. We look at mortgages in more detail in our "Buying Process" section, on pages 13-16, so let's focus on the basics here: mortgage pre-approval and why it matters.

Q What is mortgage pre-approval?

A A pre-approved mortgage indicates a lending institution has vetted you for a specific mortgage amount after investigating your financials, including your income and credit rating. You'll know your spending ceiling, your interest rate, and how much your monthly payments will cost. Mortgage pre-approval is the first step in the mortgage approval process.

Q Is my pre-approved mortgage a guaranteed mortgage?

A No. Mortgage pre-approval is not the same thing as final approval on a mortgage. If you make an offer on a property, the lender will take additional steps before giving their final approval:

- The home's value will be assessed to ensure the purchase price is not over fair market value;
- Your application will be updated with details specific to the property, including
- its purchase price and the mortgage product you selected;
- Your credit score, income, employment and debt will be re-verified.
- For home purchases with less than a 20% down payment, mortgage insurance is required. The final mortgage can't be signed off on without property approval by a mortgage insurer such as Sagen.

Lock into a good mortgage rate

Mortgage pre-approval locks in a lender's mortgage rate for a specified period — often 60, 90 or 120 days — while you house hunt. With rising interest rates this is a good way to lock in a rate. Don't worry: if mortgage rates decrease, you can still access those.

Borrower qualifications

Under federal mortgage rules, all borrowers must pass a financial stress test of 200 basis points above their contracted rate (or the 5-year Bank of Canada Benchmark Rate: whichever is higher) to qualify for a mortgage. Aspiring homebuyers will find it harder to qualify for the same mortgage amount they would have in the past. Plan for this by revising your expectations: save a larger down payment or look for a lower priced home.

Team Building

Meet the pros who'll help you buy your first home

Thinking about purchasing your first home? Now's the time to start assembling your real estate team. These are the professionals whose expert knowledge will help focus your house hunt, seal the deal and get you the keys to your first home.

PRO: REALTOR® or real estate agent

Pro skills: From background intel on neighbourhoods to the lowdown on brand-new listings, they will help you zero in on homes, set up viewings and walk you through each one. Once you're ready to make an offer, they'll negotiate for you and draft your offer to purchase.

Pro tip: Consider whether you want a one-on-one relationship with a specific REALTOR® or real estate agent or would prefer the efficiency of a multi-salesperson REALTOR® team.

PRO: Mortgage specialist or broker

Pro skills: With their expertise in different mortgage options, these financial experts determine how much home you can afford and prepare your loan documents.

Pro tip: A mortgage specialist works for a lending institution, while an independent mortgage broker is unaffiliated with any one lender. Mortgage specialists can bundle your mortgage with other products (i.e. car loan, line of credit) from their bank or credit union, while mortgage brokers focus solely on mortgages from a variety of different lenders.

PRO: Home inspector

Pro skills: These home experts can save you money and stress by identifying significant problems in a property. These issues may warrant revising your offer — or to rescind it altogether.

Pro tip: There is no national certification or accreditation organization for this profession, so ask local friends, colleagues or your REALTOR® or real estate agent for recommendations.

PRO: Real estate lawyer or notary

Pro skills: Real estate lawyers (or notaries, in Quebec) will review the purchase agreement, help negotiate any modifications, prepare the closing documents, do crucial research on the property and liens; fact-check legal descriptions of the building and lot; and collect, hold in trust and disburse fees associated with buying a property. Your lawyer ensures that everything from the down payment to the taxes to the mortgage funds gets paid out appropriately.

Pro tip: Find a real estate lawyer or notary with expertise in your home type, whether it's a condo, freehold property or detached house. Legal issues vary between each housing type.

Start Hunting

Finding the right home for your budget

For first-time homebuyers, affordability is key. Wondering how to begin your search for the right home? Get to the starting line: prioritize, budget and teamwork.

Prioritize

Itemize what's most crucial to your household. Here are some key issues to consider:

Size & space

Consider: Spatial needs now… and in three to five years' time.

Lifestyle

Consider: Indoor and outdoor maintenance and upkeep; luxury condo amenities versus lower maintenance fees.

Community

Consider: School catchment areas, proximity to churches/ temples/mosques, etc.

Transportation

Consider: Parking, proximity to public transit, walk-ability, bike- friendliness.

Recreation

Consider: Proximity to trails, parks and rec centres; access to condo gym or swimming pool.

Tip: Differentiate between must- haves and nice-to-haves. You may not find your entire wish list on a starter-home budget, so it's important to know your priorities.

Budget

Sit down and your household income, debts, savings and investments. Use Sagen's What Can I Afford? Calculator to find a ballpark mortgage amount. After determining potential home's expected carrying costs (mortgage payments, taxes, heating, etc.), work out a monthly "new homeowners'" budget, and start living on it now to determine if it's sustainable. If not, you may have to consider buying at a lower price point.

Teamwork

Ready to kick off your house hunt? Let your team know all systems are go. If you don't have your team assembled, work on that now. See page 9 for suggestions on building a solid team. Once you're in the market, you need to be ready to pounce when the right house comes up.

House Hunting Checklist

Stay focused on the hunt with our convenient score sheets

GENERAL INFORMATION

HOME 1

Address

Asking Price	Offer	Lot Size
$	$	

Home Type	Square Footage	Occupancy Date

# Bedrooms	# Bathrooms	Parking

ANNUAL COST

Property taxes	Other (school taxes, condo fees, etc.)
$	$

Heating	Electricity	Water
$	$	$

NEIGHBOURHOOD

Condition of other homes
Bad Avg. Good

Desirability
Bad Avg. Good

Traffic
Bad Avg. Good

Noise
Bad Avg. Good

Pollution
Bad Avg. Good

Plans for future construction / developments

Location - Distance to:

Work
Bad Avg. Good

Shopping
Bad Avg. Good

Schools
Bad Avg. Good

Playground
Bad Avg. Good

Public Transportation
Bad Avg. Good

Highways
Bad Avg. Good

Place of Worship
Bad Avg. Good

HOME 2

Address

Asking Price	Offer	Lot Size
$	$	

Home Type	Square Footage	Occupancy Date

# Bedrooms	# Bathrooms	Parking

Property taxes	Other (school taxes, condo fees, etc.)
$	$

Heating	Electricity	Water
$	$	$

Condition of other homes
Bad Avg. Good

Desirability
Bad Avg. Good

Traffic
Bad Avg. Good

Noise
Bad Avg. Good

Pollution
Bad Avg. Good

Plans for future construction / developments

Location - Distance to:

Work
Bad Avg. Good

Shopping
Bad Avg. Good

Schools
Bad Avg. Good

Playground
Bad Avg. Good

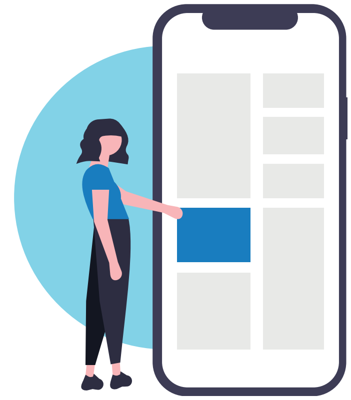
Public Transportation
Bad Avg. Good

Highways
Bad Avg. Good

Place of Worship
Bad Avg. Good

House Hunting Checklist

Page 2



LOT

HOME 1

Landscaping

Fencing

Patio / Terrace / Deck

Special Features

HOME 2

Landscaping

Fencing

Patio / Terrace / Deck

Special Features

EXTERIOR

HOME 1

Finish

Brick Siding

Desirability

Wood Stucco

Bad Avg. Good

Foundation

Bad Avg. Good

Driveway

Roof

Bad Avg. Good

Windows

Bad Avg. Good

Doors

Bad Avg. Good

Garage

HOME 2

Finish

Brick Siding

Desirability

Wood Stucco

Bad Avg. Good

Foundation

Bad Avg. Good

Driveway

Roof

Bad Avg. Good

Windows

Bad Avg. Good

Doors

Bad Avg. Good

Garage

INTERIOR

HOME 1

Impression

Bad Avg. Good

Walls & Ceilings

Bad Avg. Good

Floors

Bad Avg. Good

Lighting

Bad Avg. Good

Living Room

Dining Room

Kitchen

Master Bedroom

Other Bedrooms

Bathrooms

Basement

Other Features

Heating System

Electric System

HOME 2

Impression

Bad Avg. Good

Walls & Ceilings

Bad Avg. Good

Floors

Bad Avg. Good

Lighting

Bad Avg. Good

Living Room

Dining Room

Kitchen

Master Bedroom

Other Bedrooms

Bathrooms

Basement

Other Features

Heating System

Electric System

House Tours

The virtual world of home buying

Homebuyers may be concerned about how to maintain social distancing while looking for a home. Realtors across the country have embraced technology more than ever by reaching out to customers with virtual open houses.

Tom Storey, a sales representative with Royal LePage, says that he's used virtual tours for the past five years. "People bought secondary properties through virtual tours or floor plans—like new construction condos—but now people are buying their primary residence potentially only seeing it virtually."

He says that the ideal virtual tour should make you want to pull yourself through the property. "The tour should have 360-degree capability and some have virtual reality options. It's the dollhouse effect where you feel like you're in the space."

Nasma Ali, founder of One Group, says a great virtual tour allows buyers to navigate through it by clicking various parts of the screen. "It is more of a 3D rendering, video or image of the house or condo that has basically taken a snapshot of every corner and room of the space, all floors, and allows you to flow through the property by clicking where you want the camera to move to next," she says. "Some also come with a floor plan that shows you where in the house or condo you are. And some very advanced ones feature measurements where you can even measure walls."

Treat it like an open house

Ali says that buyers should take the time and walk through the space as they would on a regular physical visit. "That means starting from the front door, click on every direction to view the entire 360 degrees of the space." It includes all the exits, bathrooms and laundry.

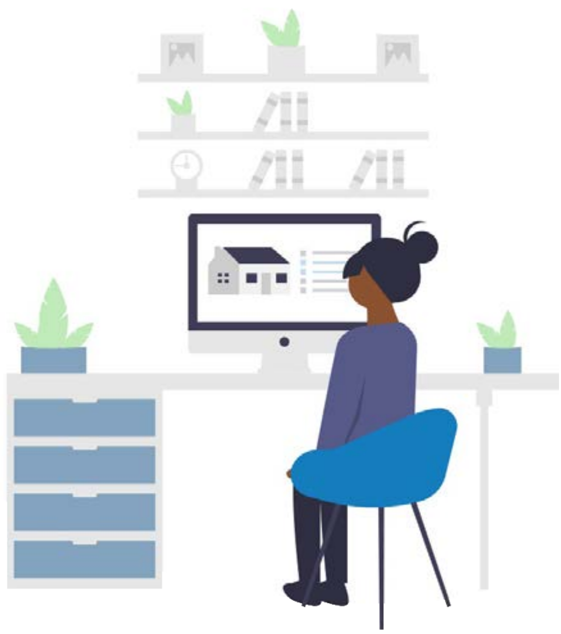
Don't hesitate to ask for more

If you're serious about the space, ask for more photos or videos of the home. Storey says he's worked with the listing agent to have the sellers take serious buyers on a tour via Zoom so they can ask questions or take a closer look at rooms. Ali says extra photos could even include Google street view. "That's in case there are any deal breakers there. maybe there is an auto repair shop right next door, or a school in front. Or it backs onto train tracks. Are the buyers OK with that?"

Make an offer, but with caveats

Storey says that he's seen offers on properties that are conditional on an in-person viewing at a safer time. "Clauses considering COVID-19 are also appearing in offers."

You can definitely find a home during this period of social distancing. It's about leveraging technology to see the home, not being afraid to ask for more information and to have a smart contract that acknowledges that we're in a unique position. Storey doesn't think virtual tours will become the norm but says it's the best option we have for now.



Walk-Through Before the Move-In Checklist

Buying a home means a lot of checklists. There's the checklist for your finances, for your move (and your movers), and your renovations. But there's one checklist that often gets overlooked: Your moving-in checklist.

This isn't about your furniture, this is the 'walk through before the move' checklist to ensure your home is ready when you are. Here's some of what to check off:

- Who is the internet provider in your town/city/ condo?
- What kind of internet do they provide?
- Who are your cable providers?

- Is your neighbourhood part of a homeowners' association (HOA)?
- What is the monthly HOA fee?
- What does the HOA fee cover?
- Does your neighbourhood do snow removal?

- What are the garbage/recycling/ composting guidelines in your town/city condo?
- What are the garbage/recycling/ composting pick-up days?

- Who are the accredited hydro service providers?
- Do you need to turn on gas lines?

- How does mail get delivered (to the house, group mailbox, P.O. box)?

- Where are your local doctors, dentists and optometrists?

- How do you pay property taxes?

- Where can you register and get a license for your pet?
- Where are the local vets and grooming services?
- Where is the nearest dog park?

- Where are the daycares and schools in your area?
- What are their registration dates?
- Is there school bus pick ups and drop offs? What is the route?
- Where are the parks, playgrounds, hockey rinks and other public spaces?

More on Mortgages

Understanding the mortgage underwriting process

As we discussed earlier in this guide, mortgage pre-approval should be one of the first steps you take in your homeownership journey. While pre-approval indicates the amount of mortgage you are qualified for, your lender has final say on approving you for up to that amount, for the purchase of a specific property.

Mortgage underwriting is the process by which a lender assesses two things:

1. A mortgage applicant's creditworthiness for a mortgage loan;
2. Whether a particular property is appropriate collateral for that loan.

Let's say you've been pre-approved for a $450,000 mortgage and start your house hunt. You find a house for $445,000 that checks off all the right boxes and you put an offer on it. Now the insurance underwriters go to work:

YOU: Will have your credit report, employment and financials re-checked to ensure you're likely to meet your mortgage obligations.

THE PROPERTY: Will undergo a property assessment to ensure $445,000 is fair market value for a property of this type, in this particular area. It is always best to speak to a mortgage professional about your personal circumstances to ensure a smooth process.

Tips for smooth approvals

It's important to hire a mortgage professional to guide you through the homebuying process, and to help streamline the approval process making. Prepare for your meeting with the professional by bringing the following documentation with you:

- Valid government-issued photo ID with your current address.
- List of debts and financial obligations.
- A letter of employment from your current employer which includes income.
- Other forms of income documentation (i.e., recent pay stubs, bank deposit statements, Notices of Assessment, etc.)
- Proof of down payment (if your down payment includes a gift, you may need a letter stating it is a gift and not a loan).
- Proof of savings & investments:
    - Proof of assets such as vehicles, cottages, boats, etc.
    - Proof of ability to pay closing costs
    - Information about any spousal or child support payments and separation agreements
    - Disclosure of all real estate currently owned
- If you are self-employed or have a variable income, the last two years T1 General supported by the corresponding Notice of Assessment would typically be required.

Documentation needs may vary depending on your financial situation, so ask your mortgage professional what to bring to your meeting.

Credit Score Basics

Saving for a down payment

Your credit score is a three-digit number that is a prediction, based on statistics, of your credit risk at a specified point in time. The higher your score, the more likely you are to be approved for a mortgage — and at a better interest rate. Here's the lowdown on credit scores:

Factors that affect your credit score:

- Debt
- Payment history
- How much available credit is in use
- Length of credit history
- Number of new credit accounts opened or inquired about
- Mix of credit types

Factors that do not hurt your credit score:

- Shopping for the best interest rate
- Carrying a balance (limit it to 35% of your overall credit limit)
- Ordering a copy of your credit report

How to improve your credit score:

- Pay your bills on time
- Pay off or pay down credit card balances

Order a copy of your credit report from consumer credit agencies Equifax or TransUnion. Check your credit report once a year to ensure the report is accurate. Mistakes can be made, so ensure that your information is correct. Contact the agency if you see an error, so it doesn't negatively impact your credit score.

Insurance assurance

About to close on your first home? Be aware of changing insurance needs. Here are three common insurance types many first-time homeowners need:

Mortgage default insurance

Who needs it: Mortgage default insurance protects the lender in case the borrower defaults on the mortgage. It's required on all mortgages with down payments of less than 20%, which are known as high ratio mortgages.

Who doesn't: Buyers who make a down payment of 20 per cent or more.

Homeowners' or condo insurance

Who needs it: All homeowners, as it covers your property and contents against fire, water damage, theft and other forms of damage. It also protects you if someone gets injured on your property. Condo insurance is similar but tailored to condo ownership (i.e., shared common areas and amenities).

Who doesn't: Non-homeowners

Tenants' insurance (aka contents insurance)

Who needs it: Your tenants, if you rent out an income suite. It protects their contents, but more importantly to you, as landlord, it covers their liability for property damage caused by their negligence (i.e., a fire triggered by a pan left on the stove, flooding caused by an overflowing bathtub). Include a clause in the lease stipulating tenants must purchase this coverage.

Who doesn't: Homeowners without tenants.

Purge and Save

Moving expenses can put an unexpected strain on your budget. They are a significant closing costs line item, as much as $2,000 to $6,000, depending on your belongings, the distance and season of your move, and other variables. But cutting moving expenses can be relatively painless — if you do it right.

Saving with a discount mover can be risky. News reports and crowdsourced review sites often mention unscrupulous fly-by-night movers who scam budget-minded households by "holding belongings hostage," until you pay a higher than agreed price, theft, refusing to pay for damaged goods, or even failing to show up on moving day.

Renting a truck or van and taking a DIY approach will save you big bucks — if you are willing to sweat and have some strong friends who can help. It's considerably more stressful than hiring pros and, from a logistical perspective, best suited to small moves, such as to or from a studio or one-bedroom condo or apartment.

But the most pain-free and effective method of cutting moving expenses may be one you haven't considered: simply moving way less stuff.

Purge and save

By purging a lot of your furniture and personal effects, you'll cut down on moving expenses by doing the following:

- Having fewer belongings to move
- Paying less for packing services, if you go that route
- Reducing or eliminating the need for a storage facility rental
- Buying or renting fewer moving supplies
- Potentially earning extra cash (garage sale), which can be used to offset your moving expenses

Win-win-win, right? Start the downsizing well before your move, way before things get hectic.

Purge big for bigger savings

Start by assessing your furniture, especially the largest, heaviest items. Maybe you have a beautiful oversize sofa. Will it complement your sleek micro-condo? Will it even fit through the door? And if not, should you spend $150 per month to keep it in storage (because it probably won't fit in your tiny condo locker)?

Unless something is a valuable or sentimental investment piece, a smart first-timer move might be to sell off as much furniture as possible. Your savings can offset the cost of new items chosen specifically for your new home.

Pack and eliminate

When it comes to smaller items, such as countertop appliances, clothes, personal collections and other objects, if it's been over a year since you've used something, you're better off without it. *Bye-bye, bread maker!* One of the most efficient ways to edit your belongings is to pick one space at a time — a bedroom, closet or bookcase, for instance — and go on a decluttering blitz. Work with three large bins or trash bags. Dedicate one for packing, one for selling/donating (gently used items) and one for recycling/trash (not-so- gently-used items, damaged items).

Donating and selling have their own relative merits. Donating helps others while saving you time (drop off your donations and you're done!). Selling offsets moving costs but takes time, whether you throw a yard sale or advertise your items online. Another route is trading. Popular cash-free trading sites can help you save money if you swap that old bread maker for someone else's recently used moving supplies, for example.

Remember: The more you eliminate, the less you have to pack. Your net savings? Time, money, and moving day anxiety, too.

Finally, if you're asking yourself "should it stay or should it go?", err on the side of minimalism and let it go. Your new home will thank you.

Closing Costs

Budget for these 10 additional homeownership costs

Buying your first home is all about smart budgeting—saving enough for a down payment, crunching numbers to determine how much mortgage you can afford, allocating funds to DIY your fixer-upper into move-in condition. But the costs don't end there. The good news: planning in advance ensures financial bumps won't detour your homeownership plans.

Be prepared for these additional costs:

1. **Home Inspection**
   In tight markets like Montreal, Toronto and Vancouver, bidders sometimes forgo home inspections, however, knowledgeable borrowers tend to invest in a home inspection report before putting in their offer. A certified home inspector can save you thousands of dollars by tipping you off to problem areas and repairs needed down the road.
2. **Legal Fees**
   Once you sign your offer to purchase, you'll need to hire a real estate lawyer, or notary in Quebec, to handle your paperwork and file your transactions. This includes conducting a title search, registering your new place in your name, and making sure the down payment and land transfer tax goes to the correct offices on time.
3. **Provincial Land Transfer Tax**
   Most provinces charge a land transfer tax when you purchase property. Rates are a percentage that varies based on property value. To help offset these costs, some provinces or cities offer land transfer tax rebates for first-time homebuyers. Check your provincial or municipal government's website for more information on available resources and rebates.
4. **Provincial Mortgage Registration Fee**
   Check whether your province levies a mortgage registration on title fee on property sales that involve a mortgage.
5. **Municipal Land Transfer Tax**
   For Torontonians, the real estate taxman hits twice, with Canada's only municipal land transfer tax, which is paid in addition to the provincial tax. It's advisable to check your municipality for any similar municipal taxes.
6. **Mortgage Insurance**
   All-high-ratio mortgages (where the borrower's down payment is less than 20% of the home's purchase price) require mortgage default insurance from an insurer such as Sagen. The insurance premium is normally added to the mortgage and paid by the homeowners.
7. **Title Insurance**
   Title insurance protects you against losses arising from challenges to the ownership of your home. Examples include fraud and forgery and title defects (such as unpaid liens on the property, encroachments, etc.).
8. **Adjustments**
   If the seller prepaid property taxes or utilities, you'll have to repay them the prorated amount.
9. **Moving Costs**
   And don't forget the big day! Moving to a new home is more than just packing up and purchasing materials. You'll need to think about specialty movers for fragile or heavy items, tipping a mover, and/or the cost to feed your friends that you've recruited for the day.
10. **Home Insurance**
    To protect your nest and all its contents.

House Expenditures

Be aware of these three house-specific surprise costs:

1. **Utility Deposit** If you're a new customer, you might be asked for a deposit per utility when you sign up for your services.
2. **House Upgrades** When you least expect it, you might need to put in a new roof, or rip off that Insulbrick in order to qualify for home insurance (or a preferred rate).
3. **Home Maintenance Gear** All you needed as a tenant was a small tool box. But as every house owner knows, power tools and property-maintaining gadgets like a lawn mower, pressure washer, wet/dry vac, ladders and other items are must-haves!

Condo Costs

Be prepared for these three potential costs of owning a condo.

1. **Special Assessments** Every so often, a major repair to the building dwarfs the condo's collective reserve fund—which you pay into with your monthly condo fees. When this happens, you can be faced with a hefty extra charge.
2. **Rent** Yes, rent! If you bought off a blueprint, don't be surprised if construction delays push your move-in date by several months. In the meantime, unless you can stay with friends or family, you'll be paying a landlord.
3. **Occupancy Fees** It can take months for a condo corporation to register a new building with the municipality. You can move in, but you're not technically the owner of your condo yet, so you'll be charged occupancy fees—also known as "phantom rent".

Moving Day Countdown

Congratulations on your new home. Now it's time to get ready, set, and... move!

Things get hectic the closer you are to taking possession of your home, so the more you get done in the front end, the less stressed you'll be in the home stretch. Here's your pre-move to-do list.

3 Months Before Closing

Get quotes from movers. Schedule in-home estimates with professional movers.

2 Months Before Closing

Book the movers.

Book the freight elevator at your condo.

Edit your belongings. Less stuff makes for an easier move!

Host a yard sale and drop off any donations.

1 Month Before Closing

Share your change of address. Don't forget: your bank, credit card companies, insurance providers, newspaper and magazine subscriptions, doctor, dentist, lawyer and government offices (health card, driver's license, Canada Revenue Agency).

Order mail forwarding. Canada Post's mail forwarding service will redirect any mail sent to your old address to your new one.

Return any cable or internet equipment.

Prep kids. Schedule farewell playdates, exchange new address info, and arrange child care for young kids on moving day (less stress for you, safer for them!).

Notify schools. Inform old and new schools of the move.

Transfer utilities. Arrange for disconnection at your old home and set-up at your new home.

Start packing. Tackle out-of- season and non-everyday items first.

Make travel plans. If you'll be staying in a hotel, book it now.

Make pet plans. Book your boarder or pet sitter, so pets are safely out of the way on moving day.

Cancel gym membership. Or notify them of the address change.

Use up fridge and pantry items. Keep new groceries to a minimum.

1 Week Before Closing

Pack and label your "last load" bins. These contain everyday items for immediate access in your new home (toiletries, paper products, one change of clothes per person, etc.).

Return any borrowed items. And pick up anything you've loaned out.

Clean the house.

1 Day Before Closing

Fill up your vehicle with gas.

Drop pets off at a kennell or sitters.

Shut and lock all windows.

Gather all house keys and garage door openers.

Do a final cleaning and fridge clear-out.

Do a final walk-through. Is everything packed? Check closets and cabinets.

Get set! One more sleep until "go time!"

Home Sweet Home

Make yourself at home with these personal touches

Here are some **quick fixes** guaranteed to make any home feel like your very own.

Change the locks

Replace the deadbolt or have it re-keyed for security and peace of mind.

Get it deep cleaned

Hire pros to deep-clean and detail your home before you move your possessions in.

Refresh the mechanicals

Have your ducts, furnace and air conditioning unit professionally cleaned for a breath of fresh, odour-free and allergen-free air.

Neutralize lingering odours

Place dishes of activated charcoal, also called activated carbon (available from aquarium stores), in musty, damp basements. Pour white vinegar down a stinky drain.

Apply a coat of paint

Repaint your space with colours you love.

Freshen the floors

Refinish scratched hardwood. Consider replacing worn carpet or laminate flooring. Add colour and texture with area rugs and runners.

Clean the windows

A thorough cleaning will make your home look brighter and fresher.

Brighten the lights

Screw in bright, energy-saving LED bulbs. Consider upgrading dated lighting fixtures.

Replace the switch plates

Or opt for energy-saving dimmer switches instead.

Display your art & photos

Get your kids' masterpieces onto the fridge and deck out your mantel and walls with your fave artwork and photos! Now that you're in your own home, go wild and make it yours.

Help in Difficult Times

Sagen's Homeowner Assistance Program

Sometimes unforeseeable events can have a devastating impact on our financial lives. Missed mortgage payments can threaten homeownership, so it's important to get help as soon as you need it.

Job loss, a reduction in hours at work, a marital situation or an illness in the family, are all examples of common life events that may impact a homeowner's ability to pay their mortgage.

Sagen's Homeowner Assistance Program offers temporary assistance to those having difficulty making mortgage payments. The help can be the difference between homeowners keeping their home or going into foreclosure.

For qualified homeowners, after reviewing each case and speaking with the homeowner about their difficulties and their needs, a Sagen representative will discuss possible solutions, which include:

- Partial payments;
- Extending the amortization period;
- Recapitalization;
- Or a combination of these solutions.

There are no fees, charges, or costs for any service we provide for the homeowner, as long as they have a Sagen insured mortgage that qualifies for this program. In rare cases, if the assistance isn't enough to save the home in question, owners can get help selling the property, to do so in the most efficient way possible.

The team is here to try to help get homeowners back on their feet.

Since 1995, Sagen's Homeowner Assistance Program has helped thousands of families stay in their homes

3 ways to cope with financial hardship

1. **Know your mortgage payment dates**. Make sure there's money in your account to cover them.
2. **Look — and plan — ahead.** If you think you might face some financial turmoil in the near future, be proactive and seek help.
3. **Get in touch with your lender right away.** The earlier they're aware the greater the chance of finding a solution and prevent the mortgage from going into arrears.

Kick off Your First Home Goals

Take Sagen on your homeownership journey

Buying your first home is an exciting — and occasionally confusing — time. As Canada's largest private residential mortgage insurer, Sagen is dedicated to making homeownership more accessible to first-time buyers. We hope this step-by-step guide has taken some of the mystery out of the home-purchasing process.

Go to our resource centre at Sagen.ca which offers education, tools and resources for every step of the homeownership journey, from "Dreaming of Homeownership" to "Closing & Moving In".

You'll find articles, interactive calculators, videos and more, plus online access to our Homebuyer's guide.

You can also follow us on social media for exciting tips, trends and homeownership advice.

Homeownership is an amazing accomplishment, and we wish you all the luck in the world as you embark on the life-changing journey to your first home.

Mortgage Glossary

Mortgage terms every first-timer should know

Getting started on your homeownership journey? Here's an A-Z guide to the key mortgage speak you'll be using in the weeks and months to come.

Amortization

The number of years it will take to pay off your mortgage through regular payments. Most mortgages, including Sagen-insured mortgages, are amortized over 25 years.

Appraised value

An official estimate of your proposed home's property value, as provided by an accredited real estate appraiser, who assesses factors including: the home's size, condition and comparable homes on the same street.

Assuming a mortgage

Taking over the previous owner's (or builder's) mortgage when you buy a property.

Buy down rate

This is the portion of the interest rate on a buyer's mortgage that you assume when they buy your home. If you're selling your home and the prospective buyer doesn't like the interest rate on their mortgage, you can offer to add a certain percentage of it onto your existing mortgage.

Capped rate

An interest rate with a pre- determined ceiling — usually associated with a variable-rate mortgage.

Closed mortgage

A mortgage that discourages pre-payment privileges (making extra payments beyond the agreement terms, to pay your mortgage off faster). Closed mortgages allow prepayment privileges of a limited percentage of your mortgage each year. *See also: Open mortgage.*

Closing costs

Costs that are in addition to the purchase price of a property and which must be paid on the closing date. Examples include legal fees, land transfer taxes, and disbursements.

Conventional mortgage

A mortgage where the borrower is contributing more than 20% or more of the value of the property as the down payment.

Convertible mortgage

A mortgage that you can change from short-term to long-term, depending on your financial needs.

Debt service ratio

The percentage of the borrower's income used for monthly payments of principal, interest, taxes, heating costs and condo fees (if applicable).

Debt to service ratio

This amount shows the ratio of your household's debt payments to gross household income. Banks look at this when assessing how much money to loan you.

Default

A homeowner is 'in default' when he or she breaks the terms of a mortgage agreement, usually by not making required mortgage payments or by not making payments on time.

Down payment

The amount of money you provide as your initial payment to secure a mortgage. The minimum down payment on a home is 5%.

Equity

The difference between the market value of a property and the amount owed on the property. This difference is the amount a homeowner actually owns outright.

Mortgage Glossary

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Fixed rate mortgage

The interest rate on this type of mortgage is locked in for the term. You'll pay the same installment each month for the term of your mortgage. *See also: Variable rate mortgage.*

Gross debt service ratio (GDSR)

The percentage of your gross monthly income that housing- related payments (mortgage, property taxes and heating) eats up. To qualify for a mortgage, your GDSR should be 39% (or less) of your gross monthly income. *See also: Total debt service ratio.*

High ratio mortgage

A mortgage where the borrower's down payment will be under 20% of the home's purchase price. High ratio mortgages require mortgage default insurance. *See also: Low ratio mortgage.*

Home inspection

A visual inspection of the major components of a home by a qualified individual, who will give the home buyer a true and unbiased picture of the home's condition.

Home insurance

Insurance to cover both your home and its contents (also referred to as property insurance). This is different from mortgage life insurance, which pays the outstanding balance of your mortgage in full if you pass away.

Interest adjustment

The amount of interest due between the date your mortgage starts and the date the first mortgage payment is calculated from. Sometimes there is a gap between the closing date of your home purchase and the first payment date of your mortgage.

Land transfer tax

A tax that is levied (in some provinces) on any property that changes hands.

Legal fees and disbursements

Some of the legal costs associated with the sale or purchase of a property. It is in your best interest to engage the services of a real estate lawyer (or a notary in Quebec).

Low ratio mortgage

A mortgage where the borrower's down payment will be 20% or more of the home's purchase price. No mortgage default loan insurance is required. See also: High ratio mortgage.

Lump sum payment

An extra payment that you make to reduce the amount of your mortgage.

Mortgage

A loan that you take out in order to buy property. The collateral is the property itself.

Mortgagee/mortgagor

Mortgagee is the lender; mortgagor is the borrower.

Mortgage broker

A company or individual who helps the homeowner find the right financing to buy a property. A broker does not actually lend money but seeks out a lender and arranges the mortgage terms. This may include negotiating with the lender for the best possible deal for the homebuyer.

Mortgage default insurance

Required if you are contributing less than 20% of the value of the property as the down payment.

Mortgage default loan insurance

Mortgage default loan insurance protects lenders from payment default. It's mandatory on high ratio mortgages. For high ratio mortgages, lenders pay the insurance premium and it's passed on to you; pay it off as a lump sum or add it to your mortgage to pay monthly.

Mortgage Glossary

Page 3

Mortgage life insurance

This form of insurance pays the outstanding balance of your mortgage in full if you pass away. This is different from home or property insurance, which insures your home and its contents.

Mortgage Terms

The length of time in which the borrower is agreeing to abide by the conditions of the mortgage. During this period of the mortgage, the following are in effect - interest rate, pre-payment restrictions, etc. At the end of the term, the borrower can repay the balance of the principal owing, renegotiate and/or renew the mortgage.

Moving expenses

The cost of hiring packers, movers or renting a van. Multiple Listing Service (MLS) A computerized listing of the properties available in your area, including information and pictures of each property.

Offer to purchase/conditional offer

A written contract outlining the terms under which the buyer agrees to purchase the property. There may be conditions attached to the offer, for example: offer being subject to arranging the mortgage or selling a home.

Open mortgage

If you want to pay off your mortgage faster, you can make as many "extra" payments of any amount as you wish, with no penalty. "Extra" payments are called prepayment. See also: Closed mortgage.

Penalty

The amount of money charged for prepaying all, or some, of your mortgage.

PIT

The principal, interest and taxes due on your mortgage.

Porting

Transferring an existing mortgage from one home to a new home when you move. This is knownas a "portable" mortgage.

Pre-approved mortgage certificate

A written agreement that you will get a mortgage for a set amount of money at a set interest rate. Getting a pre-approved mortgage lets you shop for a home without worrying how you'll pay for it.

Pre-paid property tax and utility adjustments

The amount you will owe if the person selling you the home has pre-paid any property taxes or utility bills. The amount to reimburse them will be calculated based on the closing date.

Pre-payment

Repaying part of your mortgage ahead of schedule. Depending on your mortgage agreement, there may be a penalty for pre- paying.

Principal

The amount you owe on the mortgage.

Property survey

A legal description of your property and its location and dimensions. An updated survey is usually required by your mortgage lender. If not available from the vendor, your lawyer can obtain the property survey for a fee.

Refinancing

Increasing the amount of your current mortgage, at a new interest rate. The term of the new mortgage must be equal to or greater than the term remaining on your current mortgage.

Mortgage Glossary

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Renewal/renewing

Once the original term of your mortgage expires, you have the option of renewing it with the original lender or paying off all of the outstanding balance.

Sales taxes

Taxes applied to the purchase cost of a property. Some properties are sales tax exempt (GST, HST and/or PST), and some are not. For instance, residential resale properties are usually GST exempt, while new properties require GST. Always ask and check provincial tax requirements before signing an offer.

Service charges

The extra costs payable for hooking up hydro, gas, phone, etc., to a new address.

Term

The length of time your mortgage agreement is valid, anywhere from 6 months to 10 years. After that term, you renegotiate your mortgage — or pay it off in full if you can!

Total debt service ration (TDSR)

The percentage of your household's gross monthly income that goes toward housing costs (i.e., mortgage, property taxes, heating, etc.) plus your other debts and financing (i.e., car loans, credit cards, etc.). Banks use this calculation, along with your GDRS ratio, when assessing your mortgage application. Sagen programs require a TDSR of no greater than 44%. *See also: Gross debt service ration (GDSR).*

Variable rate mortgage

A mortgage with an interest rate that changes with the market. The rate changes each month, so the portion of your monthly payment that goes towards interest may go up or down each month. But your total monthly payment will probably stay the same. *See also: Fixed rate mortgage.*

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